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## Canada

## Frozen French Fries

## Annual

## 2002

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**Report Highlights:** Driven by export sales, Canadian production of frozen french fries is forecast to continue expansion through MY2002/04. Reliance by Canadian potato processors on the U.S. market deepened during MY2001/02 as exports of frozen french fries soared by 16% over the year earlier level to 653,438 metric tons worth \$413 million. Canada failed to increase frozen french fry exports to the rest of the world during the same period.

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## Executive Summary

- \* Driven by export demand, Canadian production of frozen french fries during MY2002/03 is forecast by post to reach an estimated 1.2 million metric tons, 7% above the year earlier level. Total Canadian output is anticipated to climb further in MY2003/04 reflecting the new J. R. Simplot plant slated to come into operation.
- \* The increase in Canadian frozen french fry exports to the United States rebounded to double digit levels during MY2001/02 reaching 653,438 metric tons, valued at more than \$412 million.
- \* Export reliance on the U.S. market deepened as Canada failed to increase frozen french dry exports to the rest of the world during MY2001/2002.
- \* Canadian imports of frozen french fries and other frozen potato products from the United States soared by more than 80% during MY2001/02 climbing to 31,192 metric tons, worth \$24 million.
- \* According to the Canadian Restaurant and Foodservice Association, french fries were the most popular menu item in 2001, served on 22% of restaurant meal occasions.

## Section I. Production

Driven by export demand, Canadian production of frozen french fries during MY2002/03 is forecast by post to reach an estimated 1.2 million metric tons, 7% above the year earlier level. Total Canadian output is anticipated to climb further in MY2003/04 reflecting the new J. R. Simplot plant slated to come into operation during that period (see below). In recent years, investments in production facilities by J. R. Simplot and Lamb Weston combined with the multi-plant operations of Canadian-based McCain Foods and Cavendish Foods, have significantly increased production capacity. Background information on frozen french fry production is available in CA0201; CA1157; CA9136 and CA8075.

The state-of-the-art J. R. Simplot processing plant at Portage la Prairie, Manitoba is scheduled to start up in early summer of 2003. The plant will have an initial production capacity of about 300 million pounds of french fries and other frozen potato products, and will reportedly accommodate expansion up to twice that capacity. On March 12, 2002, in accordance with the Manitoba Environment Act, a licence was issued pursuant to section 10(1) to Simplot Canada for the construction and operation of the plant and process wastewater pre-treatment facility.

## Supply and Distribution

PSD Table						
Country	Canada					
Commodity	Frozen French Fries				(MT)(MT, Net Weight)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		07/2001		07/2002		07/2003
Deliv. To Processors	0	0	0	0	0	0
Beginning Stocks	25000	25000	0	25000	0	25000
Production	1210000	1080000	0	1160000	0	1200000
Imports	15000	17120	0	31268	0	35000
TOTAL SUPPLY	1250000	1122120	0	1216268	0	1260000
Exports	785000	735867	0	820000	0	850000
Domestic Consumption	440000	361253	0	371268	0	385000
Ending Stocks	25000	25000	0	25000	0	25000
TOTAL DISTRIBUTION	1250000	1122120	0	1216268	0	1260000

## The 2002 Potato Crop

Statistics Canada reported that planted area to potatoes in 2002 is estimated at 425,900 acres (172 400 hectares), up 3.5% from the previous year's estimate of 411,600 acres (166 500 hectares). The increase in planted area was driven by the continued increase in requirements for processing potatoes. Manitoba led the increase up 9.7% to 85,000 acres (34 400 hectares) while Alberta is up 9.1% to 60,000 acres (24 300 hectares). Saskatchewan was the only province to show a decrease, down 10.0% to 9,000 acres (3 600 hectares). The first official production estimate of the current crop will be released by Statistics Canada on November 22, 2002. Last year, potato output across Canada totaled 4.0 million metric tons.

## Section II. Trade

## Frozen French Fry Exports by Marketing Year

The pace of increase in Canadian frozen french fry exports to the United States rebounded to double digit levels during MY2001/02 reaching 653,438 metric tons, valued at more than \$412 million. Canada failed to increase frozen french fry exports to the rest of the world during MY2001/2002. Exports to the U.S. during the period soared by 16% over the year earlier level of 551,455 metric tons to 653,438 metric tons reflecting increased production capacity, particularly at the Lamb Weston plant at Taber, Alberta. Exports to the U.S. are expected to advance strongly through MY2003/04 with the coming on stream of the new Simplot processing plant in Manitoba in mid-2003. Under NAFTA, Mexico established a TRQ on french fries which is due to be eliminated on January 1, 2003. According to Agriculture and Agri-Food Canada, demand for frozen potato products in Mexico, especially from the foodservice sector, has been growing rapidly. However, market access for frozen french fries has been limited by the TRQ, while the 20% over-quota tariff imposes unnecessary costs on importers. Mexico was the sixth most important export market for Canadian frozen french fries during MY2001/02 and showed the sharpest year-to-year increase among all export market destinations.

Canadian Frozen French Fry Exports				
Marketing Year: July/June				
Units: metric tons				
HS 2004.10*				
	1999/00	2000/01	2001/02	% change
-- The World --	618,899	634,467	735,867	16.0%
United States	525,291	551,455	653,438	18.5%
Japan	35,038	37,279	35,618	-4.5%
Venezuela	5,553	6,009	5,600	-6.8%
Korea, South	3,343	3,538	4,688	32.5%
Taiwan	3,593	4,381	4,269	-2.6%
Philippines	6,201	6,075	4,251	-30.0%
Mexico	1,952	1,799	3,785	110.4%
Singapore	2,641	2,405	2,641	9.8%
Saudi Arabia	3,159	1,431	2,249	57.2%
Jamaica	2,307	1,503	2,062	37.2%
Malaysia	3,452	2,708	1,955	-27.8%
All Others	26,369	15,884	15,312	-3.6%
*HS category may contain other frozen potato products				
Source: World Trade Atlas				

## Value of Marketing Year Exports

Value of Canadian Frozen French Fry Exports				
Marketing Year: July/June				
Units: \$US millions				
HS 2004.10*				
	1999/00	2000/01	2002/02	% change
-- The World --	429.2	427.2	470.6	10.1%
United States	362.7	369.6	412.6	11.6%
Japan	23.9	26.8	26.7	-0.5%
Venezuela	3.9	4.0	3.5	-12.4%
Korea, South	2.4	2.7	3.3	21.9%
Taiwan	2.3	3.0	2.6	-12.8%
Philippines	4.8	4.6	3.0	-35.6%
Mexico	1.0	1.0	2.1	113.2%
Singapore	1.6	1.3	1.6	23.8%
Saudi Arabia	2.4	0.8	1.3	59.3%
Jamaica	1.9	1.2	1.6	35.6%
Malaysia	1.9	1.6	1.2	-26.9%
All Others	20.3	10.6	11.1	4.9%
*HS category may contain other frozen potato products				
Source: World Trade Atlas				

## Exports by Calendar Year

To accommodate regular requests from the trade, Canadian frozen french fry exports are tabulated below on a calendar year basis. The share of total exports into the U.S. market continues to grow. In the first eight months of the current calendar year, 89% of Canadian frozen french fry exports were destined for the United States.

Canadian Frozen French Fry Exports by Calendar Year						
With January to August Comparisons for 2001 and 2002						
Units: metric tons						
HS 2004.10*						
				Jan-Aug	Jan-Aug	
	1999	2000	2001	2001	2002	% change
-- The World --	575,334	624,482	690,166	438,035	476,243	8.7%
United States	470,453	542,696	604,926	380,137	423,734	11.5%
Japan	32,040	36,388	36,569	24,773	24,022	-3.0%
Korea, South	2,428	3,701	3,675	2,271	3,329	46.6%
Venezuela	5,150	5,407	6,579	4,398	2,788	-36.6%
Mexico	1,143	1,999	2,605	1,485	2,701	81.9%
Taiwan	3,379	3,523	5,446	3,898	1,895	-51.4%
Saudi Arabia	4,389	1,573	1,977	1,259	1,799	42.9%
Philippines	7,754	5,486	5,634	3,644	1,795	-50.7%
Singapore	2,599	2,428	2,536	1,632	1,657	1.5%
Jamaica	2,876	1,390	1,739	1,246	1,570	25.9%
Malaysia	3,386	2,775	2,583	1,842	1,232	-33.1%
All Others	39,736	17,117	15,895	11,451	9,720	-15.1%
%exp.to U.S.	82%	87%	88%	87%	89%	
*HS category may contain other frozen potato products						
Source: World Trade Atlas						



## Imports of Frozen French Fries by Marketing Year

Canadian imports of frozen french fries and other frozen potato products from the United States soared by more than 80% during MY2001/02 climbing to 31,192 metric tons, worth \$24 million. The major share of this trade was to Ontario, British Columbia, and Manitoba. As shown in the Importers Section below, two of the major Canadian importers of frozen potato products are U.S. based non-resident importers.

Canada: Frozen French Fry Imports							
Marketing Year: July/June							
Units: metric tons & \$U.S. millions							
HS 2004.10*							
		Quantity			Value		
	1999/00	2000/01	2001/02		1999/00	2000/01	2001/02
		metric tons				\$US millions	
-- The World	13,673	17,120	31,268		11.3	14.2	23.9
United States	13,545	16,996	31,192		11.2	14.1	23.8
India	0	0	33		0.0	0.0	0.0
Netherlands	6	63	23		0.0	0.0	0.0
Belgium	47	38	13		0.1	0.0	0.0
All Others	75	23	7		0	0	0
*HS category may contain other frozen potato products							
Source: World Trade Atlas							

## Imports of Frozen French Fries by Marketing Year, by Province

Frozen French Fry Imports, by Province				
Marketing Year: July/June				
Units: metric tons				
HS 2004.10*				
	1999/00	2000/01	2002/02	% change
All Provinces	13,673	17,120	31,268	83%
Ontario	2,389	4,434	10,241	131%
British Columbia	4,060	6,068	9,744	61%
Manitoba	1,269	1,142	6,689	486%
Alberta	4,282	3,397	3,085	-9%
New Brunswick	973	1,433	992	-31%
Saskatchewan	384	415	415	-0%
Quebec	316	227	102	-55%
Nova Scotia	0	3	0	-
Newfoundland	0	0	0	-
Prince Edward Island	0	0	0	-
*HS category may contain other frozen potato products				
Source: World Trade Atlas				

## Section IV. Marketing

According to the Canadian Restaurant and Foodservice Association (CRFA), french fries were the most popular menu item in 2001, served on 22% of restaurant meal occasions. In other words, french fries were included with one in every five meals served at Canadian restaurants during that year.

Source: CRFA 2001 Foodservice Facts.

## Packaging &amp; Labeling

For retail sale, Canada's Processed Product Regulations stipulate that the standard container sizes for frozen french fries are: 250 g; 500 g; 1 kg; 1.25 kg; 1.5 kg; and 2 kg. On December 3, 1998 the regulations were revised to include "any size over 2 kg but not over 20 kg.." For U.S. exporters, the relaxed rule means they can export wholesale cartons of frozen french fries containing inner bags in the common U.S. food service industry sizes provided the inner bags have no markings. If inner bags are marked, full labeling requirements apply (bilingual labeling, ingredients, etc.).

For further information, exporters are advised to contact the Canadian Food Inspection Agency (CFIA) , Processed Products Division, Nepean, Ontario, telephone (613) 225-2342 or the CFIA packaging and labeling website at: <http://www.cfia-acia.agr.ca/english/ppc/consumer/labelling.html>

#### Major Importers

Industry Canada lists the following (in alphabetical order) as the top 3 registered importers (accounting for 77% of total) of frozen french fries to Canada during 2000: Brittany Acres, Port Hope, Ontario; Lamb Weston Inc., Tri Cities, Washington, and; The Maintenance Store, Florenceville, New Brunswick.

#### Exchange Rates

Where prices and values in this report are expressed in Canadian dollars, the exchange rates are: 1999, C\$=US\$.6730; 2000, C\$=US\$.6733; 2001, C\$=US\$.6458; late October 2002, approximately US\$ .6385.

#### Recent Related Processed Potato Reports

<b>Report Number</b>	<b>Title of Report</b>	<b>Date</b>
CA2025	Profile: Other Potato Products	03/12/02
CA0162	Second Delay in Potato Processing Plant Startup	04/6/01
CA0201	New Potato Processing Plant for Manitoba	12/14/00

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